



Australian Dairy Industry Council Inc.

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15 June 2012

The Committee Secretary
House of Representatives Standing Committee on Regional Australia
Parliament House
CANBERRA ACT 2600

Dear Committee Secretary,

DAIRY INDUSTRY SUBMISSION TO REGIONAL AUSTRALIA COMMITTEE INQUIRY INTO PROPOSED MDBA PLAN

The Australian Dairy Industry Council, like many other stakeholders, is disappointed that the Murray Darling Basin Authority chose not to engage with the substantive issues raised in its submission on the draft Basin Plan. Instead, it has released a revised draft little different in its fundamentally flawed approach from the Guide of 18 months ago.

We appreciate that the Basin ministerial council must now make the hard decisions the MDBA has avoided, and that achieving a sensible outcome will involve some difficult choices and trade-offs.

The Regional Australia Committee inquiry is welcomed as another opportunity to refine the draft Basin Plan to better balance its social, economic and environmental impacts.

In this submission, the dairy industry will respond to the inquiry's following terms of reference:

1. progress to date in water recovery towards bridging the gap by 2019 through both irrigation infrastructure investments and water purchase
2. the potential role that new environmental works and measures projects could play in partially offsetting SDL reductions under the Basin Plan, focussing particularly on prospective project proposals identified by state governments and community interests.

Dairy in the Basin: key issues

Dairy is the largest irrigation-based livestock industry in the Murray Darling Basin. More than 12,000 people in the Basin rely on dairy for their livelihoods, including farm and factory workers, tanker drivers, dairy machinery technicians, financial services, vets, feed brokers and suppliers, farm equipment suppliers, agronomists and farm advisers.

Water availability and affordability are the dairy industry's key issues with the revised draft Murray Darling Basin Plan. The problem lies in its requirement to recover 2750GL in the form of 'held' entitlements (that is, irrigator entitlements through buybacks or transferred under the on-farm works program) or 'planned' environmental water (defined as a converted water access right; infrastructure savings may fall into this category)¹.

The Plan does not allow for less water to be recovered if environmental objectives can also be met through environmental works, improved river operations and infrastructure measures.

Water recovery progress

The MDBA has sought to minimise Basin Plan's potential socio-economic impacts by focusing only how much more water is needed to close the gap to 2750GL. This wrongly assumes there is no pain of adjustment involved with the volumes already recovered.

¹ 'Proposed Basin Plan – a draft for consultation, November 2011', MDBA, Chapter 6, para 6.05.

More than 1000GL (long-term annual average) in entitlements have already been purchased from irrigators. Almost 900GL of this has been sourced in the southern connected Basin, where it represents about 11% of the annual average water availability – and includes up to 17% of Victoria and SA’s high reliability entitlements.

For dairy, the loss of this 900GL from the collective consumptive pool already means an uphill battle and higher costs to get milk production in the southern Basin back to the pre-drought levels that support nine major milk factories and their jobs in northern Victoria.

However, the Department of Sustainability, Environment, Water, Population and Communities (SEWPaC) has assumed a total of 2150GL will be recovered through buybacks – around 1150GL more than it has already bought.

Further shrinking the collective pool for irrigation, trade and carryover by another 1150GL will drive up prices for allocation trade even more, particularly in droughts when allocations are low.

The type and location of entitlements recovered also affects the viability of shared irrigation districts, as reduced water deliveries puts water companies under pressure to increase charges to cover the costs of maintaining and operating the system.

The dairy industry urges the Regional Australia Committee to recommend that further general buyback tenders cease, and that the priority switches to investing in infrastructure savings, on-farm works, and environmental works, improved river operations and other measures to achieve the Basin Plan’s environmental objectives.

Environmental works and measures to offset SDL reductions

Chapter 6 and associated schedules of the revised draft Basin Plan require 2750 gegalitres to be recovered in the form of ‘held’ water entitlements. ‘Held’ entitlements include buybacks, infrastructure savings converted to entitlements, and on-farm savings transferred to the Commonwealth from the farmer’s own entitlement holdings.

SEWPaC has designed its water recovery programs on the assumption that 2150GL will be recovered through buyback, and 600GL in entitlement from infrastructure savings and on-farm projects.

However, the MDBA acknowledges that similar or better environmental outcomes can be achieved with less water entitlements. This can be done by investing in works, improved river operations and other measures that deliver environmental water more effectively and efficiently.

Indeed, Victorian Government modelling has indicated that similar or better environmental outcomes can be achieved by recovering 2100GL in ‘held’ entitlements, and investing in environmental works, improved river operations etc. equivalent to an additional 650GL in their environment benefits.

To this end, the dairy industry urges the Basin Ministerial Council to support amending Chapter 6 and associated schedules in the draft Basin Plan to express the Sustainable Diversion Limit (SDL) as a flexible formula in which 2750GL is achieved through a mix of ‘held’ entitlements and ‘environmental entitlement equivalents’.

The dairy industry is also requesting that any further buybacks are strategically linked to infrastructure efficiencies, and are irrigator-led and community-supported.

Proposed environmental works and measures

The dairy industry believes at least 1000 GL in ‘environmental equivalent entitlements’ to offset the SDL reductions can be achieved by investing in projects such as the following:

1. **Lindsay-Walpolla Island** is a Living Murray Icon site where proposed works will enable ~5000 ha of floodplain to be watered using 90GL per event rather than 1200GL if the same event was achieved through overbank flooding (cost ~\$46 million).

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2. **Reconfiguring drainage in south-east South Australia** to increase average annual fresh inflows into the Coorong south lagoon from 10.9GL/yr to 26GL/yr.
 3. **Rehabilitating Murray Swamps in SA**, to save an average 63GL/yr in evaporation, and control acidity and a rising saline water table affecting lower lakes (cost ~\$30 million).
 4. **Red gum forests in Victoria**, works for greater water efficiency and improved flows, using 550GL less than otherwise required (cost ~\$105m)
 5. **Improved river operations**, including a comprehensive real-time monitoring network to guide the timing and volume of environmental releases.
 6. **Improved river operations, including operational rules changes such as:**
 - Changed timing in Hume to Lake Victoria transfers (earlier and higher releases over shorter time (~40GL).
 - Target flooding from changed Lake Victoria operation (releases ahead of refill) (~10GL).
 - Real-time lower lakes management (for example, upgrading and automating the barrages to improve flow through the Murray mouth, ~40GL).
 - Lindsay River allowance converted into held environmental water and supplied in a more timely way (~70GL).
 7. **Narrung Narrows:** remove causeway and remains of bund restricting flows through Narrows, and dredge to improve freshwater exchange between Lakes Alexandrina and Albert.

Feasibility studies underway

The Federal Government has already given the States \$10 million for feasibility studies for 16 potential projects detailed in a communiqué from a Basin ministerial meeting on 4 November 2011².

Some of these projects are already described above, and the dairy industry urges the Regional Australia Committee to recommend that these projects be funded as a Commonwealth priority.

Victoria

- a) **Watering the Lindsay Island floodplain sub-project** (\$1.1 million) to revise concept designs for weirs and regulators to better inundate over 5000 ha, including River Red Gum floodplain.
- b) **Watering the Wallpolla Island floodplain sub-project** (\$0.1 million) to review concept designs for a channel and regulating structures to better inundate around 1,000 hectares of floodplain.
- c) **Watering River Red Gum sites along the Murray sub-project** (\$0.2 million) to scope structural works to deliver water to various river red gum reserves from Echuca to SA border.
- d) **Watering black box wetlands in Gunbower forest sub-project** (\$0.45 million) for concept design to deliver water and remove man-made barriers to inundate 8000 ha.
- e) **Watering the Hattah Lakes - Chalka Creek North sub-project** (\$0.15 million) for feasibility studies and designs to better deliver water.

New South Wales

- a) **Euston Lake restoration and improved water efficiency sub-project** (\$0.4 million), to save water with more natural wetting and drying regime.
- b) **Upper Murrumbidgee environmental flow enhancement sub-project** (\$0.5 million) to raise the operational flow limit at Gundagai to save water and improve mid-catchment wetlands.
- c) **Nimmie-Caira System Enhanced Environmental Water Delivery Sub-project** (\$0.2 million) to save water and improve environmental water delivery lower Murrumbidgee floodplain.

² http://www.mdba.gov.au/media_centre/legislative-and-governance-forum/legislative-and-Governance-Forum1

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- d) **Piping Irrigation Demands sub-project** (\$0.15 million).
- e) **Burrendong Dam sub-project** (\$0.2 million) to increase Burrendong dam outlet for higher pulse flows for fish spawning and more efficient water delivery, including Macquarie Marshes.
- f) **Southern Macquarie Marshes sub-project** (\$0.2 million) for more efficient inundation of the South Macquarie Marsh.
- g) **Investigation into efficient delivery of high priority stock and domestic supplies sub-project** (\$0.15 million) in the Macquarie, Murray, Murrumbidgee river systems.
- h) **Modify Weirs enhance floodplain inundation sub-project** (\$0.2 million) to assess optimal weir pool height for more efficient delivery of environmental water onto floodplains.

Queensland

- a) **Queensland Murray Darling Basin Environmental Works and Measures project** (\$1.0 million)

South Australia

- a) **Katfish Reach and Pike Implementation (Stage 3) sub-project** (\$0.65 million) to assess new environmental regulators to enable broad floodplain inundation with less environmental water.
- b) **Eastern Mount Lofty Ranges Low Flow Bypasses sub-project** (\$0.18 million) to assess feasibility of fitting devices to improve stream flows below farm dams.

Other water-saving projects

Further, the dairy industry urges the Regional Australia committee to recommend that the following water-saving infrastructure projects be funded as a Commonwealth priority:

- **Menindee Lakes reconfiguration**, NSW Government proposal to save up to 100GL.
- **Torrumbarry to Wakool bypass**, to save ~40GL
- **Lowbidgee Irrigation District** strategic buyout and infrastructure reconfiguration to free up at least an annual average of 100GL for the environment (cost ~\$200 million)

Conclusion

The works and measures identified above are indicative only, and the dairy industry is confident that many other opportunities will emerge in future.

However, the works and measures above represent a solid starting point for investment to begin immediately, and to help restore regional community confidence that the Commonwealth is actively seeking to deliver a plan that genuinely optimises the environmental, social and economic value of the Basin's water resources.

The ADIC would welcome the opportunity of presenting these issues to the Committee at the upcoming public hearings in Canberra.

Yours sincerely,

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Chair
Australian Dairy Industry Council

Daryl Hoey
Chair
ADIC Basin Response Taskforce